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## **How to Strengthen Urban Micro-entrepreneurs: Bahia's "Vida Melhor" Program**

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**WWP**

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BRAZIL LEARNING INITIATIVE

WWP'S SERIES

# STUDY CASE

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## **How to Strengthen Urban Micro-entrepreneurs: Bahia's "*Vida Melhor*" Program**

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1. Governmental Coordination.
2. Socio-productive inclusion.
3. Social programs.
4. Urban Development.
5. Urban Micro-Entrepreneurs.
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## Executive Summary

In 2011, the Government of the State of Bahia launched its “*Vida Melhor*” (A Better Life) Program, to promote social and productive inclusion of disadvantaged (low-income, also called “popular”) entrepreneurs, so defined by their social vulnerability and difficulties in entering the formal labor market. *Vida Melhor* developed its own approach aligned with those features and based on the presence in poor communities of Socio-Productive Inclusion Units (UNIS) and of Development Agents residing in those communities. The Agents interact with entrepreneurs through participatory Economic Feasibility Studies (EFS), sharing knowledge to enhance businesses and identifying demands to be met through a package of technical assistance provided through *Vida Melhor*, including professional training services, microcredit, registration of small businesses and donation of equipment. The Agents also identify demands for social policies, which are referred to the responsible public services.

*Vida Melhor* is aimed at helping the State government overcome social, economic, cultural and symbolic barriers faced by disadvantaged entrepreneurs, in order to promote their economic and social inclusion by enhancing, respectively, their businesses and revenue and their access to other social programs. The case study shows how a governmental social policy interacts with and provides services to a highly vulnerable, unorganized sector.

This study made it clear that the format chosen (community presence, neighborhood agents, dialogue and educational interaction) was successful in attaining the involvement and sharing basic business notions with disadvantaged entrepreneurs, despite some limitations to the capacity of the Agents. The technical assistance package and referrals to other social services, on the other hand, were found not to be formatted to the needs of disadvantaged entrepreneurs.

Moreover, this study brings evidence that even a well-designed program will not become sufficiently effective and sustainable in the absence of mechanisms that promote coordination among the different institutions involved. In the case of *Vida Melhor*, the lack of coordination and communication among governmental bodies made it difficult for UNIS Coordinators in the field to link up with other services (social workers, health, education and others), without decisions on cooperation coming from the top at each respective area’s Secretariat.

The main lessons from the case study identified the needs (i) to improve the follow-up on disadvantaged entrepreneurs’ demands for products and services (such as vocational training, microcredit, registration of companies and donation of equipment), through fostering partnerships with local institutions to reduce rigidity and logistical difficulties; (ii) to include on-the-job training, broader themes and motivation dynamics in the training of Development Agents; (iii) to rethink the political and institutional arrangements for effective intersectoral coordination, one that assures continuity of leadership, political commitment and monitoring of field institutions; and (iv) to improve information management and develop a system with managerial functions that may support decision-making.



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# Introduction and the Context of the Case Study

Carlos sells grilled meat skewers on the streets of Bairro da Paz, an informal settlement of 30,000 squatters in Salvador, Bahia. Carlos had never known exactly how much he spent and earned in the course of his work. He only knew that the skewers he grilled in a re-used paint can hardly made ends meet for his family. With the Urban *Vida Melhor* Program, Carlos learned to calculate his costs and revenue, and his sales jumped by 30% when he started using a specially made meat-grilling cart, which is both good-looking and meets official hygiene standards.

Carlos is one of 11,000 economically disadvantaged entrepreneurs<sup>1</sup> assisted by the *Vida Melhor* Program, created by the Government of the State of Bahia in 2011, to promote the social and productive inclusion of disadvantaged entrepreneurs, most of them poor, self-employed workers whose most common feature is not making any distinction between resources consumed by their business and those that sustain their families. Their economic activity is often carried out at home, and money spent on the business gets mixed with expenses to meet the family's needs. This leaves many disadvantaged entrepreneurs out of official statistics.

The life and work of disadvantaged entrepreneurs are fundamentally precarious, in terms of housing, income and consumption. Most of them live in informal settlements, their business revenue is small and erratic (when the entrepreneur is taken ill, there is simply no income and no savings for a rainy day); and their business provides nothing but a subsistence living, with limited access to consumption to sustain their families. These people have few chances of getting a paid job with working papers.

In Greater Salvador, about 20% of the economically active population (EAP) has

historically been self-employed. In 2011, that meant around 400,000 people. If we also include domestic employees, undocumented wage earners and unpaid employees as precarious workers, that figure climbs to 830,000 individuals. Adding in the unemployed,<sup>2</sup> we have over 1.1 million people, about 53% of the EAP.<sup>3</sup> These numbers mean that “by its magnitude and its structural nature, the reproduction of these forms of labor can no longer be explained away as a residual or transitory phenomenon.”<sup>4</sup> Even with the expansion of formal employment in recent years, it is unlikely that all these people will soon be brought into the economy's formal sector as regular wage earners.

Therefore, the **development challenge** that the government of Bahia hopes to resolve through *Vida Melhor* is to overcome the social, economic and cultural *barriers* faced by disadvantaged entrepreneurs in their context of vulnerability, by promoting their *economic and social inclusion*, both by enhancing their businesses and incomes and by providing access to other social programs. As a result, an alternative approach is needed, no longer focused on bring people out of their disadvantaged economic sectors, but rather on strengthening them, based on a better understanding of the economy. It is precisely this outlook that makes *Vida Melhor* innovative. It is a much broader challenge that goes beyond the limits of a statewide program in Bahia, as it delves into how to institutionalize public policies for the social and economic inclusion of one of society's least structured sectors. This leads to *Vida Melhor's delivery challenge*: *how a governmental policy program can interact and serve a highly vulnerable and unstructured audience*, for whom it is hard to adapt to the public sector's administrative rules, and where family and business accounts are often co-mingled.

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1. “The economy of disadvantaged sectors (*setores populares*) refers to activities whose economic rationale is based on the generation of resources (monetary or otherwise) whose purpose is to promote and restore sustenance, and on the use of one's own human resources, thus adding labor units but not investing capital. This economy includes activities carried out both by low-income individuals and by families, as well as different modes of associative labor, whether formalized or not.” (Kraychette 2000).

2. Unemployed people “with a labor potential” are part of the *Vida Melhor* target audience. In fact, many of these disadvantaged entrepreneurs define themselves as “unemployed.”

3. Government of the State of Bahia and FLEM 2014, *op.cit.*:6. Data from the 2011 PNAD household survey.

4. *Ibid.*





# The Process of Implementing the *Vida Melhor* Program

The program was established in August 2011, in tandem with the Federal Government's "Brazil Without Poverty" program, to achieve social and productive inclusion through decent work for people in situations of poverty and with a potential to work, in order to raise their incomes.<sup>5</sup> The program is structured around two contexts, one urban and the other rural. The urban approach, in turn, also has two components, for collective disadvantaged entrepreneurs (solidarity economy) and for individual disadvantaged entrepreneurs, who are the focus of this study. *Vida Melhor* sits at the "intersection between the economy and society,"<sup>6</sup> since it aims to promote both the *economic inclusion of disadvantaged entrepreneurs and access to policies that will ensure their social rights*. Moreover, it is clear in the concept behind *Vida Melhor* that the inclusion of disadvantaged entrepreneurs does not depend only on their own will and capacity, but also on creating a less hostile environment for them (particularly regarding public transportation, public safety, health, basic hygiene and schooling), thus demanding intersectoral initiatives.

To achieve those objectives, the strategy adopted by *Vida Melhor* is essentially to "get into" the geographic, social, economic and cultural universe of disadvantaged entrepreneurs and adapt to their characteristics and needs. The urban *Vida Melhor's* approach was developed at the Salvador Catholic University (UCSAL) to meet the specificities of disadvantaged entrepreneurs. In 1999, the UCSAL launched a research and extension program, which is still underway, aimed at training multiplier agents in practices suitable to the sustainability of solidarity economic enterprises. In 2006 and again in 2009, the UCSAL participated in programs run by the Government of Bahia involving

disadvantaged entrepreneurs. Those two experiences led to the adoption of the UCSAL's approach into the *Vida Melhor* program, in 2011. The approach is grounded in the grass-roots reach of a technical assistance program into a community, and the way it interacts with entrepreneurs through dialog and education. Technical assistance involves an economic feasibility study (with major participatory and pedagogical aspects) on the disadvantaged entrepreneurs' business activities, along with the identification and presentation of their particular demands for a package of services and inputs provided by the program (vocational training, micro-credit, registration of companies and donation of equipment).

## Operational Flow

In operational terms, this means (i) setting up "Socio-Productive Inclusion Units" (UNIS) in poor communities, run by Social Organizations commissioned by the Government;<sup>7</sup> and (ii) organizing local residents to be Development Agents, responsible for the following sequence of activities: (a) a diagnosis of the local community; (b) registration, ranking and selection of disadvantaged entrepreneurs; (c) a participatory economic feasibility study (EFS) that also educates disadvantaged entrepreneurs, in which the agent and the entrepreneur "discover" together the true value of their production and sales costs; (d) identification of the disadvantaged entrepreneurs' demands; (e) drafting of a technical report based on the EFS and presentation of the technical report with individual recommendations to each entrepreneur; and (f) response to the needs of entrepreneurs for vocational training, micro-credit, registration of their company and donation of equipment. In addition, the Agent identifies needs of the entrepreneur's family that

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5. Government of the State of Bahia and FLEM 2014 *op. cit.*: 3. The target audience is defined as disadvantaged entrepreneurs (self-employed or, in more general terms, having a labor potential), age 18-60, with a priority for those enrolled in the Unified Registry for Social Programs, whose monthly family income is no more than one half the minimum wage per person or no more than three times the minimum wage for the entire family.

6. Inter-American Development Bank, *Relatório de Avaliação - Programa Vida Melhor/SEDES*, Salvador 2014: 4.

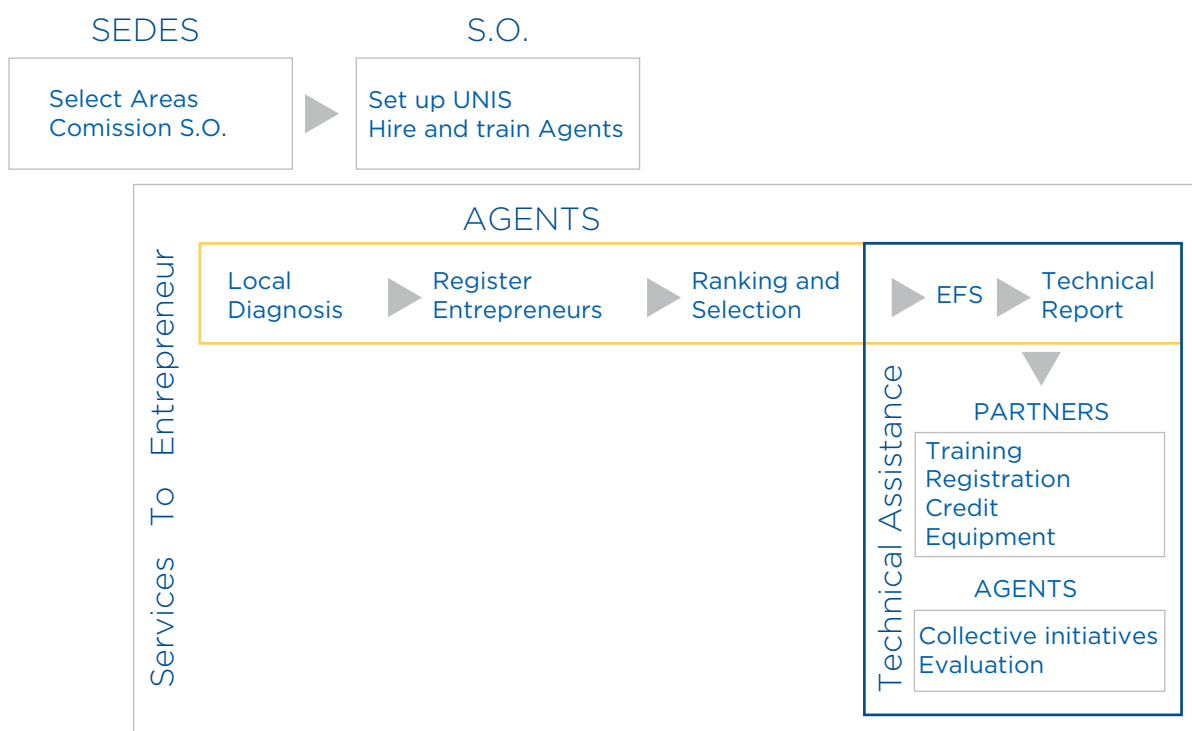
7. When the first UNIS units were set up, the Bahia State Government worked through agreements with Social Organizations that had previous experience in using the UCSAL methodology, with disadvantaged entrepreneurs. Those Social Organizations were responsible for setting up the UNIS, managing the hiring of coordinators and technical personnel, training and all the services provided to the disadvantaged entrepreneurs. In Brazil, Social Organizations are non-profit, private law, legal persons whose activities must focus on teaching, scientific research, technological development, protection and preservation of the environment, culture or health. These organizations are regulated under Law 9637, dated May 15, 1998.

can be met by social programs and refers them to health, education and social workers, as well as encouraging the collective organizing of initiatives based on networking and solidarity among entrepreneurs.

The information gathered by the Agents from entrepreneurs is periodically updated to oversee and assess their evolution, and is systematized in the *Vida Melhor* Information System (SIVME),

the program's strategic management tool. Figure 1 is a flow chart of *Vida Melhor* activities: (i) the SEDES selects areas to establish UNIS units; (ii) it selects and commissions Social Organizations (S.O.) to run each of them; and (iii) the Social Organizations select, hire and train Development Agents, who become responsible for technical assistance, ranging from the EFS to the package of social services.

**FIGURE 1** *Vida Melhor* Flow Chart



### Institutional Arrangements

As a political strategy, the *Vida Melhor* Management Board, chaired by the Governor's Chief of Staff and made up of Secretaries from each Secretariat, was created to ensure all necessary coordination among the program's intersectoral activities. The Chief of Staff in the Governor's Office played a key role in designing this arrangement because of his own interest in *Vida Melhor* and his political weight as chairman of the board. That situation, as we shall see, changed over time through the program's successive phases.

Two Executive Committees were set up to handle, respectively, *Vida Melhor's* rural and urban divisions. The urban division was coordinated by the Social Development and Anti-Poverty Secretariat (SEDES). From the outset, however, rivalries between participating Secretariats raised barriers to

intersectoral management and to the program's implementation, as discussed below.

It is also noteworthy that throughout its history (2011-2015) *Vida Melhor* was shut down three times. These were critical moments and had dire consequences on Development Agents (who were dismissed and later rehired) and on entrepreneurs (services to whom were suspended, at great cost to the program's credibility). Those interruptions had to do with outside factors, State politics and the government's administrative problems. In all cases, the Government did take steps to revive the program (although not always in a timely fashion) and/or to minimize the impact of shutdowns.

### Legal Relations with Social Organizations

The program underwent changes in formal relations with the Social Organizations responsible for managing the UNIS units and carrying out the

fieldwork. The two Social Organizations selected were first commissioned without a tender process (through an agreement), but in early 2014 that agreement was replaced with a results-based management contract.

Under the initial agreement, the Regional Action Company (which has traditionally administered

agreements with civil-society organizations, although in rural areas) was responsible for the program's financial control and accounting, while the SEDES did the technical coordination. This mismatch between the program's physical and financial oversight created red tape. Under the management contract, both physical and financial oversight were undertaken by the SEDES.

## Effects of the Management Contract

Adoption of the management contract had different impacts on the institutions, the Social Organizations, the Agents and the entrepreneurs. For the SEDES, the management contract expedited analysis and approval of technical and accounting reports and facilitated add-ons and renewals of contracts with the Social Organizations. This, in theory, should have ensured greater continuity in services provided to Agents and entrepreneurs. From the standpoint of the Social Organizations, the management contract also demanded greater discipline and stricter planning and execution to meet the goals. That change took some time, but gradually the Social Organizations did adapt well, and the management contract allowed them to define and break out functions that had been concentrated in the hands of UNIS coordinators, and even provided funding to hire people to take on some of those functions. Meanwhile, because of specific parameters within the management contract, there were negative impacts on Development Agents and disadvantaged entrepreneurs, since, to achieve numerical targets of entrepreneurs included, less time was left for Agents to interact with entrepreneurs. The UNIS units reorganized to ease impacts of the changes, split up the themes analyzed by the EFS and reduce, when possible, the number of meetings between Agents and entrepreneurs, depending on the complexity of each business initiative.

## Implementation

To begin the program, the SEDES set up five UNIS units around the State:<sup>8</sup> three in Salvador, one in Lauro de Freitas, in Greater Salvador, and one in Feira de Santana.<sup>9</sup> The location and scope of each UNIS were defined by comparing several variables such as concentration of poverty and the presence of other governmental programs like *Minha Casa Minha Vida*,<sup>10</sup> *Pacto pela Vida*<sup>11</sup> and *Bases Comunitárias de Segurança*.<sup>12</sup> For each UNIS, a Coordinator (with a higher education degree) was named, along with three university-level technical experts and thirty Development Agents. The experts help support the Agents, and are frequently in the field

with them. The Agents hired by the program received 40 hours of training from the UCSAL on its approach to working with disadvantaged entrepreneurs.

To launch the program, the coordinators and experts visited and walked through the neighborhoods covered by their UNIS, identifying and mobilizing leaders, while disseminating the program. In early 2012, the Social Organizations selected and hired the Development Agents in each UNIS, after disseminating public calls in the communities and then using logical-mathematic tests and personal interviews to select the candidates.

8. The UNIS units were created rather than using existing Reference Center for Social Assistance (CRAS) because the CRAS centers are under the institutional responsibility of municipalities, rather than the State government.

9. The Program's goal was to set up 30 UNIS units by 2015, but only five have been created so far, due to budget restrictions.

10. The Federal Government's primary, large-scale social housing program.

11. A State program to promote peace and confront violence.

12. Following Rio de Janeiro's model of Peacemaker Police Units (UPPs), the Community Bases are police management and operational points, focused on prevention, located in certain disadvantaged neighborhoods in Salvador and Greater Salvador, in some cities along the State's northern coast and in the interior.

## A Profile of the Development Agents

The Agents “have one foot in the Program and one foot in the community,” in the words of one UNIS expert. This allows them access to pockets of extreme poverty, to the homes of entrepreneurs and to real information. The conditions for becoming a Development Agent are to be a neighborhood resident, have a high school diploma, and be able to work with MS Word and Excel. The contracts are done through signed papers (formal employment under Brazilian labor law), for a 44-hour week. After they were hired, the Agents (most of them young women) went through 40 hours of training on the disadvantaged entrepreneurs approach and then began to interact with the disadvantaged entrepreneurs themselves.

Given the profile of the entrepreneurs, the approach had to work on subjective dimensions of socialization alongside the technical dimension, for the program to “get in” to the world of disadvantaged entrepreneurs, to involve them and better identify their demands. In that sense, the Development Agents play a key role, mainly due to the rapport and empathy they are able to establish with the entrepreneurs. When first approached, the entrepreneurs are mistrustful. Gradually, the Agent gains their trust and begins to work in collaboration with the entrepreneur.

Once the Agents are trained, they begin to interact with the disadvantaged entrepreneurs on Economic Feasibility Studies (EFS), which is generally one of the first diagnostic activities carried out by the Agents as they begin to interact with the entrepreneurs. The EFS process collects data on their business, while also educating entrepreneurs and identifying their needs for technical assistance and public social services. Application of the EFS has shown that the entrepreneurs’ knowledge of their own income is a gradual learning process, through dialog between the entrepreneur and the Agent. During this educational process led by the

Agents, the impact of sensitizing entrepreneurs to budgetary aspects of their business is very clear. The entrepreneurs come out of the EFS experience with a higher level of knowledge about themselves and their own business. This enhances the process of identifying the specific demands of each business and ensures much more qualified and precise responses.

The next two sections present the most relevant outcomes, as well as key challenges that arose during the Program, taking into account organizational, institutional and political fluctuations that had impacts on the process.





# Results of *Vida Melhor* for Disadvantaged Entrepreneurs

In early 2015, the FLEM did an evaluation of *Vida Melhor*. The main indicators produced by that evaluation, synthesized in the following table, show an excellent performance by Agents to bring in entrepreneurs and during the EFS “diagnostic” phase, and good

performance in the delivery of technical reports and identification of demands. However, the Program’s delivery of goods and services in terms of technical assistance for productive inclusion clearly fell short of those demands.

Indicator	Results and % of Coverage
Number of entrepreneurs included in registry (target: 12,000)	<ul style="list-style-type: none"> <li>• 13,067 (11,290 active plus 1,777 dropouts)</li> <li>• 115%</li> </ul>
Number of EFS done 2012-2014 / Number of entrepreneurs in the registry	<ul style="list-style-type: none"> <li>• 9,753/11,209</li> <li>• 86.4%</li> </ul>
Number of technical reports delivered / Number of entrepreneurs in the registry	<ul style="list-style-type: none"> <li>• 6,070/11,290</li> <li>• 53.8%</li> </ul>
Entrepreneur satisfaction with meetings on EFS (# of meetings, content shared, knowledge gained)	<ul style="list-style-type: none"> <li>• Total of “good” plus “very good” near 100%</li> </ul>
Entrepreneur satisfaction with technical report (comprehension of report, content shared, knowledge gained)	<ul style="list-style-type: none"> <li>• Total of “good” plus “very good” between 95% - 98%</li> </ul>
Number of demands identified / Entrepreneurs	<ul style="list-style-type: none"> <li>• 6,921 want training / 11,290 = 61%</li> <li>• 4,444 want equipment / 11,290 = 44%</li> </ul>
Training provided / Demands for training	<ul style="list-style-type: none"> <li>• 1,929/6,921</li> <li>• 28.6%</li> </ul>
Equipment donations / Demands for equipment	<ul style="list-style-type: none"> <li>• 1,203/4,444</li> <li>• 27%</li> </ul>
Micro-credit provided / Number of entrepreneurs in the registry	<ul style="list-style-type: none"> <li>• 338/11,290</li> <li>• 3%</li> </ul>

Font: FLEM 2015, op.cit.

The *Vida Melhor* Program surpassed its target of enrolling 12,000 entrepreneurs. Of those who entered the registry and remained in the Program, over 86% did Economic Feasibility Studies, but only 53.8% received a technical report with the outcome of their EFS. In 61% of the cases, the entrepreneurs expressed a need for vocational training, while 44% felt a need

for goods or equipment. Of the entrepreneurs demanding training, however, only 28,6% actually participated in vocational courses, and of those in need of equipment, only 27% actually received anything. We have no data on how many entrepreneurs asked for micro-credit, only that just 3% of all the entrepreneurs enrolled actually got loans.



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# Challenges Faced and Lessons Learned

The *Vida Melhor's* strategy was based on the Program's presence in poor urban communities through each UNIS and local resident Development Agents, interacting with entrepreneurs through dialog and education. This format was successful in the role of UNIS and particularly the Development Agents' diagnostic activities, to map out the areas, enroll and rank entrepreneurs, carry out feasibility studies and do technical reports on business initiatives. The main barriers faced and lessons learned to enhance the Program's performance refer to: (i) follow-up on the entrepreneurs' demands for services and inputs;<sup>13</sup> (ii) training of Development Agents;<sup>14</sup> (iii) handling of information; and (iv) institutional arrangements and effective intersectoral coordination.

## i) Follow-up on Entrepreneurs' Demands

After the Agents conclude the EFS and the technical report, when technical assistance for inclusive production actually begins, several practical problems thwart the Program's effectiveness. While the diagnostic and educational work was effective and productive, the services and inputs needed to improve the business initiatives – to be provided by the Program's partners – suffered from rules and habits that are poorly adapted to the specificities of disadvantaged entrepreneurs.

*Vida Melhor* was designed to package together four kinds of services or inputs: *vocational training, micro-credit, registration of companies and donation of equipment*. The UNIS, however, has no authority over such goods and services, which must be provided by other institutions.

As opposed to the EFS, which adapts to the specificities of disadvantaged entrepreneurs, these goods and services are not delivered in suitable formats.

For *vocational training*, entrepreneurs are referred by the Agents to courses given by *Vida Melhor's* partner institutions, but are often blocked by barriers related to their own precarious backgrounds. Courses in the "S System"<sup>15</sup> have costs and schedules that are unsuited to disadvantaged entrepreneurs, while PRONATEC<sup>16</sup> has minimum schooling requirements, which, even when low, most of them simply cannot meet. *Micro-credit* raises formal restrictions for anyone who has ever defaulted on a bank loan, which is often the case of disadvantaged entrepreneurs.

The *registration of companies* is not attractive for many disadvantaged entrepreneurs because, even though, fees were reduced by the Individual Micro-Entrepreneur Law,<sup>17</sup> the cost of registration compromises other immediate expenses, which for many are more important than any future advantages registration might provide (better procurement conditions, credit cards, social security). The work done by SEBRAE, based on rigid targets for the formal registration of informal entrepreneurs in the broad sense, has also been criticized by the UNIS units.<sup>18</sup> Some disadvantaged entrepreneurs have chosen the formal registration path and have concretely benefited from it, but they are a minority.

The *donation of assets* such as equipment to be used by the entrepreneurs' companies, promised by *Vida Melhor*, suffers from delays in the purchase and donation of equipment by

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13. The FLEM evaluation treats such actions as separate projects within a single program, with institutional responsibilities located outside the program and functions beyond the reach of Agents, and suggests that the Social Organizations' contracts not hold them responsible for targets related to these activities.

14. The FLEM evaluation found that technical assistance activities involve building technical-professional information and knowledge, which is not provided in the Agents' training. Even the EFS is recalled by entrepreneurs more for its emotional and social aspects than by any of its technical features. Meanwhile, Agents are praised in the evaluation for their dedication, identification with the Program's proposed methodology, understanding of their own leadership roles and their capacity to bond with entrepreneurs.

15. The "S System" involves a number of institutions, the most important of which, in urban areas, are the SEBRAE (Brazilian Service to Support Micro and Small Businesses), the SENAI (National Industrial Learning Service) and the SENAC (National Learning Service for Commerce), all of which offer technical assistance courses and vocational training.

16. The National Program for Access to Technical Education and Employment (PRONATEC) is a Federal Government program for the professional and technological education of youth, workers and beneficiaries of income-transfer programs.

17. Complementary Law 128/2008, which defines Individual Micro-entrepreneurs as entrepreneurs whose yearly gross income is no more than R\$ 60,000, and simplifies the process of legally formalizing a company, among other provisions.

18. IDB 2014, *op.cit.*

the SEDES, due to red tape in public-sector procurement procedures. Entrepreneurs conclude their EFS together with the Agents and feel better prepared and motivated to improve their business practices, but they need better instruments, whose delivery is very slow. Despite delays, some entrepreneurs have been very pleased with the quality of most of the equipment, such as ready-made kitchens, meat-grilling carts and embroidery machines. It was also difficult for entrepreneurs to use some of the equipment, for example digital sewing machines.

The evaluation of *Vida Melhor* revealed that the impact of the UNIS' powerlessness over technical assistance activities was a poor response to demands expressed by entrepreneurs. Some solutions were found to this problem:

To reduce the rigidity and logistical difficulties of the *training courses*, Social Organizations and UNIS units partnered with local institutions experienced in vocational training. In Bairro da Paz, for example, the Social Organization revived a partnership it had with the local Colibri Cooperative, for training in food preparation and sewing, with equipment donated by *Vida Melhor* and from overseas sources (a European Union project and an Italian NGO). These experiences were only partially successful, mainly due to the lack of additional funding to organize courses inside the communities.<sup>19</sup> Other creative solutions included scholarships for disadvantaged entrepreneurs to participate in courses given by S-System and PRONATEC partners, so they could afford to leave their work to attend classes.

To overcome the problems of access to *micro-credit* for disadvantaged entrepreneurs, the UNIS in Feira de Santana created a Solidarity Revolving Credit Fund (an arrangement frequently promoted by the Banco do Nordeste), with support from an outside agency. The *Vida Melhor* Board also partnered with other institutions, such as the Banco do Nordeste (*CrediAmigo* Program), BNDES<sup>20</sup> and

Desenbahia,<sup>21</sup> to facilitate access to loans, but these partnerships are limited since they still restrict loans for anyone who has ever defaulted in the past.

As regards efforts to *formalize the registration* of disadvantaged entrepreneurs, discussions are underway with the SEBRAE to find a way around its rigid targets for enrollment of informal entrepreneurs in the broad sense, and to consider the registration criteria used by the EFS.

Finally, on *equipment donations*, each UNIS will give courses on the use of the equipment before delivery. For embroidery machines, for example, whose instructions were unintelligible to entrepreneurs, the UNIS organized an *ad hoc* course that solved the problem.

## ii) Training the Development Agents

The initial training of Development Agents is limited in that it does not cover problems that typically come up only during the actual fieldwork, caused by the emotional impact of close-up involvement in intra-family problems (such as family violence, for example) or the disadvantaged entrepreneurs' precarious living and working conditions, i.e., issues that underline these people's needs for policies to ensure their rights, which the Agents were not trained to recognize or handle. The SEDES must provide Agents with on-the-job training, using exchanges, horizontal contacts with teams in other locations, motivation dynamics and social events.<sup>22</sup> They need to feel less isolated and more supported, both technically and in terms of motivation. In response to such demands for training, since 2014 the SEDES has provided a *continuing education plan* for Agents, covering broader themes such as social welfare, political education, technical assistance for networks/groups, gender and ethnic issues, accessibility, environment and sustainability and interpersonal relations.<sup>23</sup>

## iii) Handling Information

The Agents record their interactions with entrepreneurs on notecards that are entered

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19. IDB 2014, *op. cit.*

20. National Economic and Social Development Bank, a federally owned bank and the government's main long-term financial agent for investments in all segments of the economy, to implement social, regional and environmental policies.

21. The State of Bahia's development agency, a State Government credit institution for social and economic inclusion.

22. Other noteworthy demands from the Agents refer to: (i) safety and communication (access to mobile phones) in the field; (ii) higher wages; and (iii) professional growth in general (source: IDB 2014, *op.cit.*).

23. IDB 2014, *op.cit.*

into the *Vida Melhor* Information System (SIVME).<sup>24</sup> When the UNIS units began their work, it was hard to feed the system due to its limited functionalities. The extreme diversity of disadvantaged entrepreneurs meant that certain situations could only be perceived in the field, and the UNIS often had to sit down with the programmers to rework the system. A new tool was therefore developed in 2014 to help the UNIS and Agents transfer the disadvantaged entrepreneurs' data (expenses, sales and revenue) into a format managers could use: the Entrepreneur's Handbook. There is no sign, however, that the SIVME will rapidly evolve to become fully functional and meet the need to support decision-making.

#### iv) Institutional Arrangements and Effective Intersectoral Coordination

There can be no effective coordination among different sectors without an operable institutional framework. This has hindered UNIS' work and their response to demands from entrepreneurs and their families requiring inter-sectoral policies.

The *Vida Melhor* Program's intersectoral coordination was criticized as insufficient, due mainly to: (i) changes in the Governor's Office that sacrificed leadership for the Program, since the successors did not share the same commitment to *Vida Melhor*; (ii) frequent changes in the command of Secretariats involved in the program; and (iii) the partisan divvying up of Secretariats in a broad government coalition. For those reasons, the Management Board almost never met and the Executive Committee, with no guidance from the Board, lost any real decision-making power. Within the Executive Committee, moreover, there was little coordination between the SEDES and the SETRE, which are responsible, respectively, for individual entrepreneurs and entrepreneurial associations.

That lack of coordination and communication among governmental bodies made it difficult in the field for each UNIS Coordinator to link up with other services (social workers, health,

education and others), since decisions on cooperation are put off by each Secretariat's superiors who do not prioritize *Vida Melhor* beneficiaries for local services, and there is no Executive Committee involvement in decision-making either. The outcome of weak coordination has impacts on how Agents can relate to entrepreneurs, who feel let down by those they expected to provide the services they need.

The most important coordination should take place with CRAS<sup>25</sup> centers, but this relationship is described as variable and sporadic, depending on the location and the availability of the professionals responsible for each CRAS ("With no institutional arrangement, it's up to people.") Each CRAS, meanwhile, answers to the Municipal Government, which in Salvador is headed by a party in opposition to the State Government. This explains why the enrollment of *Vida Melhor* beneficiaries in the Unified Registry for Social Programs (run by the CRAS), which should be compulsory, was only made a priority by the State Government, thus reducing access to other programs for the neediest disadvantaged entrepreneurs.<sup>26</sup>

The *Vida Melhor* evaluation clearly raised the need for steps to make intersectoral work more effective, such as locating its coordination in an upper-echelon institution committed to the Program, making it stand out as a political priority and holding other participating institutions accountable for its implementation and monitoring.

*Vida Melhor* was originally formatted as a priority of the Government of Bahia, with strong leadership from the Governor's Chief of Staff to get it organized. Even when that high-level leadership faded, the Program and its main stakeholders upheld their commitment to the disadvantaged entrepreneurs. Perhaps only a new champion, however, will be able to improve the performance of *Vida Melhor's* partner organizations.

Continuity of leadership is also important to uphold a political commitment. The poor performance of intersectoral coordination

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24. The SIVME was first developed by the SEDES, for lack of any other system with functions suitable to the needs of *Vida Melhor*. It was turned over to the Governor's Office to be integrated into the State's IT platform. That integration was only partial, however, and the system is still incomplete (especially in terms of managerial report functions).

25. The Reference Center for Social Assistance (CRAS) are the main local physical structures that provide basic social protection for socially vulnerable families.

26. There is no data on the percentage of *Vida Melhor* beneficiaries enrolled in the Unified Registry. The State Government's decision not to require that enrollment, as a condition for participation in the *Vida Melhor* Program, should be seen as a precautionary measure, considering the potential for friction in relations between the State and the municipality, over partisan bickering.

around *Vida Melhor* had much to do with frequent changes in the command of the State Secretariats involved in the program, and with the splitting up of those Secretariats among different members of the governing coalition. After the new Governor took office in 2015, the Program was reorganized (although basic policies have remained) when the former Social Development and Anti-Poverty Secretariat (SEDES) merged into a new Secretariat of Justice, Human Rights and Social Development (SJDHDS), along with the former Secretariat of Justice, Citizenry and Human Rights. After some initial uncertainty, the SJDHDS ratified *Vida Melhor's* coordination. The State Government seized the restructuring of the Secretariat as a chance to rethink *Vida Melhor*, particularly regarding its integration with other sectoral policies and services.

Another lesson learned in the institutional sphere is that building integration and coordination between institutions takes time. To achieve coordination among several institutions at once

(social work, health, education, etc.) in the field, it must be built at the top of the hierarchy and be monitored in the field, since decisions on that relationship (which in practical terms mean prioritizing *Vida Melhor* beneficiaries for local services) are made at the top of the respective Secretariats and must be monitored by the Executive Committee. It is also fundamental to have an internal communications strategy between the areas, for the Program to be known within the Government itself, by all the areas and authorities involved in it. Finally, due to gaps in coordination between sectors and institutions, *Vida Melhor* was not very effective at referring the most vulnerable disadvantaged entrepreneurs to policy bodies that might ensure their rights. Nonetheless, the approaches used by *Vida Melhor* – working through local grass-roots networks, using resident agents, relating business' management to families' dynamics, and the educational dimension of the EFS – were essentially correct. One notable impact was the sensitizing of entrepreneurs to the budgetary aspects of their business.



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# Conclusions – Final Remarks

*Vida Melhor* is an innovative program active in a novel setting, rife with uncertainties. This means that it must be adaptable by its very nature. The Program's critical points are clear to its main stakeholders, who have taken measures for successive adjustments, within their realms of power. *Vida Melhor* has been able to adapt its design and implementation stages to its target audience's specific needs and capacities. The Program's design clearly foresees the need for intersectoral relations,

to overcome barriers holding disadvantaged entrepreneurs back, and to respond to their demands for social protection and promotion policies. Mechanisms to identify those barriers and demands are operational in *Vida Melhor*, but institutional arrangements must be reassessed to make intersectoral dynamics more effective and allow the Program to fully achieve its objective of supporting producers as individuals, families or associations, in both urban and rural areas.

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## Appendices

### *Vida Melhor's* Time Line

- **First semester, 2011:** Initial organization of *Vida Melhor* begins, led by the Governor's Office.
- **August 2011:** State Decree establishes *Vida Melhor*.
- **October-December 2011:** Program begins, with selection and hiring (through agreements) of Social Organizations to manage the UNIS units, after which the Social Organizations hire UNIS Coordinators and Technical Experts.
- **January-December 2012:** Gradual establishment of 5 UNIS units; selection and hiring of Development Agents by the Social Organizations; first activities with entrepreneurs (turning point).
- **December 2012 - April 2013:** Program shut down following a denunciation by an opposition member of the State Assembly<sup>27</sup> (turning point).
- **May-December 2013:** Agreements with the Social Organizations are renewed and the program resumes its work (mostly to monitor the situation of previously enrolled participants, with limited inclusion of new entrepreneurs); budget cutbacks, accounting discrepancies at the UNIS units and a new interruption of the program (turning point), followed by the creation of a State Government task force to avoid a total shutdown.
- **January-December 2014:** Relationship between the State and the Social Organizations is amended (from agreements to management contracts) and work resumes, including the enrollment of new entrepreneurs (turning point); the Program is evaluated by the IDB.
- **January-June 2015:** New Governor, administrative reform in the State Government (creation of a new Secretariat responsible for *Vida Melhor*) and interruption of the Program; the Program is evaluated by the FLEM and then reorganized under the new Secretariat.

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27. A member of the State Legislative Assembly from an opposition party accused the Governor of commissioning Social Organizations with no capacity or qualifications to manage the UNIS units. The accusation was groundless, since the Social Organizations' staff members fully met the technical requirements of the contract and the same Social Organizations had already participated in previous experiences with disadvantaged entrepreneurs, sponsored by the UCSAL. Even so, the Program was suspended while the Government prepared its defense, which was presented to the State Assembly and to the public at large.



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## Persons Interviewed

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[Viviane Quênia](#), consultant hired by the FLEM to evaluate *Vida Melhor*.

[Lucas Carvalho](#), representative of the Social Organization ICI.

[Staff members of the Colibris Cooperative](#)



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